

The Business Sector Worries about Affordable Housing.

OVERVIEW.

CharacterTowns.org mined recent articles, focusing on affordable housing and concerns of the industrial sector. The articles are from:

- **Bloomberg Businessweek**, Jan. 20, 2020, Noah Buhayar and Dina Bass, “A Housing Start for Microsoft” and January 15, 2020, Noah Buhayar, “Microsoft Learns Money Alone Can’t Fix Seattle’s Housing Mess”.
- **The Economist**, January 18th – 24th, 2020, “Special Report: Housing, Shaking the Foundations.”
- **GeekWire**, Aug. 7, 2019, Goldstein-Street, “Tech companies step up to fund housing, but experts say it is not enough to curb shortages.”
- **Associated Press**, Matt O’Brien, Nov. 4, 2019, “Apple commits \$2.5B to combat California housing crisis”, <https://news.yahoo.com/>.
- **Bloomberg CityLab**, June 6, 2019, Kriston Capps, “Wells Fargo to Donate \$1 Billion for Affordable Housing” and January 3, 2020, Kriston Capps, “Denser Housing Is Gaining Traction on America’s East Coast”.

SUMMARY.

In all of the articles, the problem is defined as a shortage in the supply of affordable housing. The authors offer examples of action programs that are improving the affordability of housing to low and middle income families from cities and countries around the globe. The problem is twofold: housing costs are too high and need to be lower, but household incomes are too low and need to grow. None of the business sourced articles address the idea that people are not paid enough.

EXTRACTED IDEAS.

1. **Nimby and Yimby.**
 - a. Density is perceived as bad by some, but the answer to others. Design makes a big difference. Politics are changing to Yes In My Back Yard [YIMBY].
 - b. There is a real fear [as irrational as it is] of “those people”: renters or lower income families who are perceived to be dangerous and negative factors in neighborhoods and public schools.
 - c. But, what about “generation rent”? The millennials espouse being “asset light”.
 - d. And, restricting the supply of new, less expensive homes keeps the value of existing homes high.
2. **Land costs** are a big factor affecting housing cost increases. Land costs in and near urban areas are increasing. The supply of “close in” land is limited, hence increasing land costs raise housing costs and prices.
3. **Land development regulations** restrict new building with policies and ordinances that:
 - a. Limit density of single-family homes; some larger lot homeowners fight building smaller homeowner lots.
 - b. Restrict the scale of multi-family units in terms of number of units per complex, density and height.
 - c. Prohibit single family homes from having “accessory dwelling units”.
 - d. Restrict housing in commercial and other non-residential zones.
 - e. Prohibit the previously acceptable “missing middle” housing in single-family housing neighborhoods.
4. **Areas with high rates of home ownership tend to support restrictive building codes.**

5. **Down payment assistance** programs offered by local government agencies particularly help first time home buyers. Some programs are designed to keep this subsidy with the housing unit when it is sold to the next buyer rather than letting the market price eliminate the original subsidy.
6. **Federal funding for housing programs has been dramatically reduced.** The United States Housing Act of 1937 (42 U.S.C.A. § 1437) established the public housing program which produced nearly 1.4 million units nationwide. Largely because of [dispositions, demolitions](#) and the [Rental Assistance Demonstration](#), there are currently only about 1 million units remaining in the public housing program.
7. **Financial factors:**
 - a. Predatory lending practices resulted in re-possession and mortgage defaults.
 - b. Rising home prices relate to low financing rates...payments stay the same but shift more money to principal enabling a more expensive home buy.
 - c. Non-bank lenders [unregulated] are growing; Quicken Loans originates about one-half of America's mortgages.
 - d. Non-banks do good things: SafeRate, a non-bank, offers variable mortgages such that the monthly payment declines when local housing prices decline.
8. **Homeownership subsidies:**
 - a. Mortgage interest is not taxed.
 - b. Fannie Mae and Freddie Mac subsidize mortgage rates.
 - c. Official estimates are that foregone homeowner related federal taxes amount to over \$200B annually.
 - d. For the first time in a century, homeownership rates are declining.
9. **Cost inflation factors:**
 - a. Rising land costs due to limited supply in and near urban job centers.
 - b. Low unemployment increases housing demand as does increased immigration.
 - c. Alternative platforms like Airbnb divert housing to "hotels" and reduce supply.
 - d. Housing supply in some areas is not elastic, i.e., supply does not increase when demand increases.
 - e. Rent control is a market intervention gaining popularity.
10. **Automobiles allow people to "drive 'til they qualify"**. Increased commuter trip lengths exacerbate family travel costs and the household budget crisis.
11. **Factors forestalling homeownership:**
 - a. Student debt.
 - b. "Asset light" generational thinking.
 - c. Reduced employee mobility to seek work.
12. **"The notion that home ownership was superior to renting became common**, even apparently self-evident from 1940 to 2000 when America's home ownership rate rose from around 40% to 70%". *The Economist, Special Report: Housing*.
13. **Demand negates supply in high growth areas.** In high growth areas, an increase in the supply of affordable housing is precluded by an insatiable demand that consumes all new housing at market rates. Affordable units do not remain affordable. Home buying subsidies only last for the first owner unless otherwise stipulated.

Rental subsidies last longer. In lower growth areas, more affordable housing may stay affordable due to weak demand, but low growth areas, by their nature, are not the areas that most need affordable housing.

THE BUSINESS STORIES ARE INSTRUCTIVE:

Massive corporate contributions are helpful but do not significantly “move the needle.”

- 1. Corporations are appreciating their dependence** on “essential workers”, i.e., cops, nurses, firefighters and teachers putting the emphasis on the indirect impacts of the issue, where it belongs.
- 2. Corporations are supporting local policies** that improve the political and regulatory environment for affordable housing for low and middle income families.
- 3. Corporate contributions should be directed to organizations** that know how to produce affordable housing. Funding can go to organizations such as federally funded programs, state housing trust funds, Habitat for Humanity and local housing authorities.

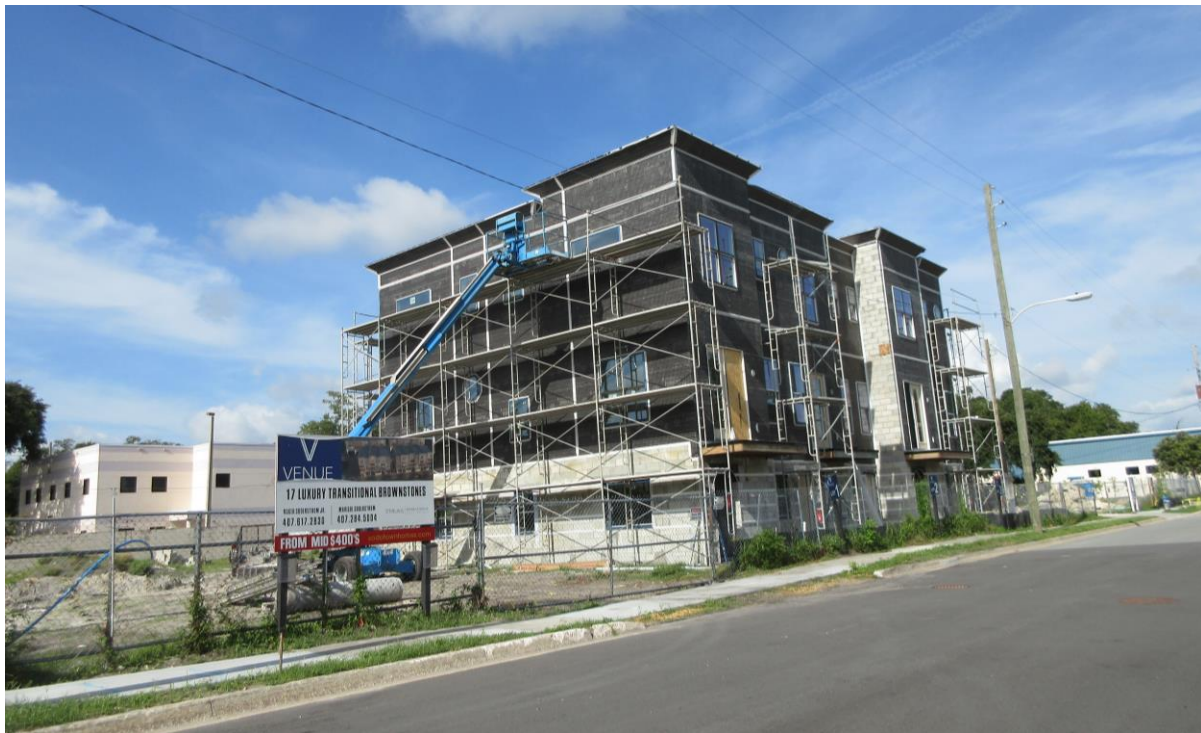
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Habitat for Humanity

Habitat for Humanity is a global nonprofit housing organization working in local communities across all 50 states in the U.S. and in approximately 70 countries. Habitat’s vision is of a world where everyone has a decent place to live.

Habitat works toward our vision by building strength, stability and self-reliance in partnership with families in need of decent and affordable housing. Habitat homeowners help build their own homes alongside volunteers and pay an affordable mortgage.

LINK: <https://www.habitat.org/about>



URBAN PIONEERS: Seventeen residential condos are being constructed in the Downtown South [Orlando] Neighborhood Improvement District on a street with marginal industrial uses; a street ripe for infill and redevelopment for those brave enough to go first...developers and lenders.

From CITYLAB.com

“The National Public Housing Museum Eyes a 2021 Opening”.

ZACH MORTICE, DECEMBER 3, 2019

“When you’re working to establish a museum with such contested subject matter as the National Public Housing Museum (NPHM), it pays to have a few shorthand expressions within easy reach, lest anyone get confused about creating a curatorial platform for an institution many associate with failure.

“Crystal Palmer, a former public housing resident and vice chair of the museum’s board, says the museum will tell ‘the good, the bad, and the ugly’ of public housing. Lisa Lee, the museum’s executive director, says (quoting another board member) that it will “tell the stories of our in-laws and our outlaws.

“Lee is attempting to encapsulate this complicated legacy on the Near West Side of Chicago, inside the only remaining building of the Jane Addams Homes, a public housing complex built in the 1930s. It took 10 years of administrative wrangling to get the building from the Chicago Housing Authority (CHA), and the museum hopes to open in 2021. Since 2010, however, it has been mounting exhibitions at a variety of other venues.”

READ MORE AT:

<https://www.citylab.com/design/2019/12/national-public-housing-museum-american-history-chicago/601369/>

The National Public Housing Museum is the only cultural institution devoted to telling the story of public housing in the United States. Its mission is to preserve, promote, and propel the right of all people to a place where they can live and prosper — a place to call home.

LINK: <https://www.nphm.org/>



ADUs by right or in exchange for renting the unit to a Section 8 voucher holder for a minimum of 5 years...LA más.



Hampton Park, HOPE VI housing funded by DHUD; A Traditional Neighborhood Development of the Orlando Housing Authority.